



A ROADMAP TO Recovery

FY 12 Actions and Long-Term Actions



Commitment 1: Accountability for Results

City government should hold all employees accountable for clear performance goals and continual improvement - and taxpayers should receive an annual "Performance Report Card" on city government.

The Roadmap for Recovery starts with a bold and proven program for improving the management and performance of city departments.

To achieve this commitment, our office proposes a "City Management Agenda" – a comprehensive and integrated set of management reform modeled after successful reforms implemented in other government entities – and best management practices from leading companies and organizations.

In the last 15 years, performance measurement has become a central tenant of "government for results." Calls for more transparency and accountability in corporate accounting have been echoed in the government sector as well. Performance measurement, strategic planning, succession planning, process re-engineering, and performance based budgeting are valuable tools in government reform. Governments that embrace these tools are transforming themselves into more effective, efficient, performance driven organizations.

To jumpstart innovation and change at City Hall, the City Management Agenda asks basic questions for each city department:

What are our goals and how do we measure success? (Performance Planning and Management)

What resources will we need to achieve the goals and what is the cost-per-unit of service? (Financial Management and Cost Accounting)

How much staffing is absolutely required to provide a city service and how can we recruit, retain, train and reward a high-performance workforce to provide that service? (Human Capital and Succession Planning)

How can the service be provided faster, better, and cheaper using new technologies, management techniques or work processes? (Process Redesign and Innovation)

What services can be enhanced or provided more efficiently and effectively through vendors, other government agencies, or community organizations? (Contracting and Partnerships)

The City Management Agenda fundamentally challenges the current service delivery models utilized within each city department. A willingness to embrace new ways of providing services and conducting business must be injected into the city bureaucracy.

To achieve that, we must change the organizational culture inside city departments. The City Management Agenda targets the current institutional tendency to revert to "the ways things have always been done." More importantly, our city government must be measured on its results.



FY 2012 Changes

Reform 1.1: Develop Department Strategic Plans and Performance Measures

Performance measurement reporting on service levels has been suspended in the City budget process. The city has made major changes in its budget and operations – without fully understanding the net impact to service level results for taxpayers.

By the beginning of FY 12, each city department should submit a strategic plan to guide its efforts over the next four years – with specific, measureable and accountable performance goals and measures for evaluating results in FY 12.

Because it is imperative that the plan reflect public input, each city department should hold at least one “Performance Summit” in the spring to seek feedback from employees, customers, and stakeholders on priorities, new approaches to operating, and ways to measure and report success.

The strategic plan should articulate a clear vision for what the department will look like in four years – and how the department will restructure its operations to achieve that outcome. Each department should select no more than 5-7 performance measures – with 2-3 reflecting core outcomes for San Diegans and 3-4 reflecting “transformational” measures relating to improved efficiency, timeliness, quality, or other operational improvements in delivering its services.

To institutionalize this practice, our office proposes the establishment of a Performance Planning and Management Ordinance (PPMO) – establishing a step-by-step process for strategic planning, performance measurement, and performance reporting inside city government.

(See Appendix 3 for the full text of the proposed ordinance.)

Reform 1.2: Require “Performance Contracts” with All Department Managers

Each department’s top manager should sign an annual performance contract with performance goals and measures driven by the department’s strategic plan. This performance contract should be submitted to the Mayor and should be posted and updated publicly on each department’s website.

Reform 1.3: Review of Implementation of Enterprise Resource Planning (ERP) System – Initiate Full Cost Accounting for Major Services

The City of San Diego is in the middle of implementing a costly Enterprise Resource Planning (ERP) System. The goal of the system is to improve the quality, timeliness, and usefulness of financial information inside each city department.

While our office supports implementation of these kinds of systems, it remains to be seen whether this system is being properly implemented. City staff reports that the implementation is progressing, but we propose that the audit committee evaluates progress implementation independently. (See Memorandum dated November 3, 2010.)

Organizations that measure their costs can manage their costs. The ERP system has the potential to support full cost accounting on a “cost-per-unit” basis of service. Full cost accounting lays the groundwork for eventual implementation of “performance-based budgeting” in city departments.

To jumpstart full cost accounting, recommend releasing full cost accounting studies on the top 10 city service areas in FY 2012 – with expansion of services undergoing full cost accounting calculations thereafter.

Reform 1.4: Create a City “Office of Management and Budget”

The five elements of the City Management Agenda require integration and coordination. Councilmember DeMaio has long proposed the creation of a single “Office of Management and Budget” to consolidate and coordinate the various management functions of the city. Such a move would not only improve management capabilities, but achieve cost savings as well.

The OMB would be headed by a consolidated Chief Performance Management Officer – reflecting a consolidation of the current Chief Financial Officer position and the Assistant Chief Operating Officer position. The following functions would be housed within the OMB:

A ROADMAP TO Recovery

Reforming San Diego City Government

Budget and Performance Management (Merged function of Financial Management, Business Office, and management analyst currently located in individual city departments)

Financial Management (Merged function of Comptroller's Office and City Treasurer)

Human Resources and Labor Relations

Information Technology (OneSD and Information Technology)

Contracting and Competitive Sourcing (a merged office of Purchasing/Contracting and a portion of the Business Office)

In addition to integrating the functions comprising the City Management Agenda, the OMB would house the following support functions that serve all city departments:

Risk Management

City Asset Management (Assumes Fleet and Facilities Management functions are outsourced)

Debt Management

A number of other important changes would be made in the consolidation of these support functions and the creation of an integrated management office:

Expanded Project Management Capacities: The current City Business Office would be folded into the new OMB. To equip the OMB with internal resources to lead large-scale change management projects, we propose the creation of an unclassified position of "Project Management Leader" to allow the city to hire individuals with advanced project management (PMP) certification.

Drawing on support from impacted departments, these individuals would work on priority projects – starting first with the Managed Competitions outlined in Commitment #6 of this Roadmap to Recovery.

Reduction in Administration Office: The current Administration Office contains functions that – in the middle of a fiscal crisis – should be curtailed. Functions relating to EMS contract management and Equal Opportunity Contracting would be transferred to the Contracting and Competition directorate in the new OMB.

Departmental Budget	Line Item	FTE Impact	General Fund Savings
NA	Addition of Project Management Leader Positions	+2	-\$400,000
City Treasurer	Executive Assistant	-1	\$61,216
Administration	Elimination with exception of EMS Coordinator and 4 Equal Opportunity Contracting staff to Contracting Office; transfer Citizens' Assistance function to City Council	-13.47	\$1,500,000
Business Office	Elimination of .5 Executive Secretary; one program manager, one management analyst	-2.5	\$209,467
Office of the Assistant COO	Elimination of entire office	-1	\$246,026

Reform 1.5: Consolidate "Management Analysts"

The creation of the OMB model also provides an opportunity to improve how budgets are formulated. We propose centralizing the development of the Proposed and Annual budgets, quarterly budget monitoring, and development and reporting of performance goals and measures into the new OMB's "Budget and Performance Management" directorate.

As it is structured currently, a substantial amount of duplication occurs between budget analysts currently located in the Financial Management Office and management analysts located within each individual department.

Currently, the Financial Management department provides fiscal services to the Mayor and serves as an internal fiscal consultant to other City departments.¹ The responsibilities of Financial Management include preparing the proposed and annual budgets and monitoring the City's Expenditures and revenue receipts.

The Financial Management Department includes 1.00 Department Director, 3.00 Financial Operations Managers, 4.00 Supervising Budget Development Analysts, 8.00 Senior Budget Development Analyst, and 12.00 Associate Management Analysts.

In addition to the Budget Development Analysts in the Financial Management Department, the City has 229.45 Management Analysts budgeted in various City Departments.

These Management Analysts provide many types of analytical services for the department management to which they report. A significant portion of that analytical service involves the development of the Proposed and Annual budget for their respective department submit to the Financial Management Department, plus monitoring department expenditures throughout the fiscal year. In addition, some do conduct work on performance measures and reports – albeit on an ad-hoc basis.

With the recent implementation of the OneSD system, where both the Financial Management Department and Department Analysts have access to the same information, the current monitoring process has significant redundancies.

This consolidation would require a culture change. The Budget Development Analysts in the Financial Management Department would be required to expand their current role of “reviewing” information submitted by departments to working with department managers to develop their budgets and monitor expenditures throughout the fiscal year.

While we acknowledge this consolidation could result in an increased workload for the management analysts remaining in individual departments, we believe this increase in workload is acceptable given the City's current financial situation. For Fiscal Year 2012 we would suggest emphasizing consolidation of small and mid-sized departments in the General Fund, while continuing to focus on the larger departments such as Police, Fire-Rescue and Non-General Fund departments in the future.

As a result of this consolidation, we believe that a permanent reduction target of 20.00 department analysts could produce a savings of \$1.5 million to the General Fund.

Departmental Budget	Line Item	FTE Impact	General Fund Savings
City-Wide	Reduction of Management Analysts	-20	\$1,496,220

Reform 1.6: Reduce Press Aides and Public Information Officers

The City currently has a total of 19 press and public relations staff by designation. Additional staff and contractors are also involved in public affairs.

The Mayor currently has 1.00 Director of Communications, 2.00 Deputy Press Secretaries (1.00 on recent leave of absence working for the Proposition D campaign), and 1.00 Press Assistant handling inquiries from the press, overall message and dissemination of information originating from the Office of the Mayor.

In addition to these press officers, the City has budgeted 15.00 Public Information Officers in various departments who handle inquiries related to the specific department in which they are budgeted.

With the exception of police and fire, we propose centralizing the City's public information services – and consolidating them under the Office of Community and Legislative Services. Enterprise funds would enter into a “Service Level Agreement” for the reimbursement of expenses for this office.

¹ See FY 2011 Adopted Budget

A ROADMAP TO Recovery

Reforming San Diego City Government

In addition to saving money, this reorganization will enhance how the city communicates with the media and the public.

(NOTE: As part of the Roadmap to Recovery's city-wide target of reducing contracts for services, a close examination should be made on all public-relations/outreach contracts the city currently has in place.)

Departmental Budget	Line Item	FTE Impact	General Fund Savings
Office of Mayor	Elimination of Deputy Press Secretary	NA	(Not scored – included in Mayoral-Council reductions)
Stormwater	Elimination of one PIO	-1	\$59,299
Library	Elimination of one PIO	-1	\$78,351

Reform 1.7: Enhance Employee Performance Reviews; Eliminate “Last Hired, First Fired” Policy in Labor Contracts

As the City of San Diego makes reductions in staffing, it is important that staff retention decisions are made based on performance, not tenure. In some cases, the current policy of “last hired, first fired” allows poorer-performing staff members to “bump” higher performance staff members during downsizing.

In addition, a system of full “Employee Performance Management” should be implemented to serve as a basis for all bonuses and promotions. Currently city employees receive “STEP” increases based on longevity, not performance. That must change. Clear performance goals and measures for each city employee should be established – drawn from departmental goals and measures. All rewards – including non-financial rewards such as discretionary leave – should be based strictly on performance.

As part of labor negotiations in FY 12 and FY 13 these reforms should be enacted.

*Note: Achieving full implementation of this reform may require modification of the City Charter.

Reform 1.8: Implement Recovery Auditing Program

City government processes millions annually in accounts payable. Some of the accounts payable over-charge the city government. Recovery auditing is the post-payment review of accounts payable with the goal of identifying overpayments and recovering funds. In the private sector the use of recovery auditing programs is widespread – and increasingly government agencies are adopting this auditing program.

By the beginning of FY 2012, the City of San Diego should partner with an outside firm to implement recovery auditing on its top 10 payable categories (including information technology, health care, communications, utilities, real estate, etc.)

Departmental Budget	Line Item	FTE Impact	General Fund Savings
Comptroller	Expected revenues from recovery auditing	NA	\$500,000

Reform 1.9: Expand Revenue Audits

Currently accounts receivables are managed by the City Treasurer with only limited auditing on revenues received. Councilmember DeMaio has pushed a proposal to authorize the City Auditor to perform more robust and expansive audits on the city's major revenue sources to ensure the city government is receiving its fair share.

Expanding revenue audits under the City Auditor's direction will achieve efficiencies in operations, and result in increased revenue collections from accounts through more aggressive auditing techniques and an independent approach to reviewing receivables.

While the City Treasurer will retain custody of records on accounts receivables per the City Charter, the Auditor can be sub-contracted from the Treasurers' Office to perform this function.

The Mayor and City Council should implement recommendations contained in October 2010 audit of the Delinquent Accounts Program which suggested additional revenues could be achieved from expanded collection efforts and techniques focused on past due receivables.

Departmental Budget	Line Item	FTE Impact	General Fund Savings
City Auditor	Expected collections from revenue account audits handled by City Auditor	NA	\$1,000,000

Reform 1.10: Post City Performance Measures Online – Publish Annual Performance Report Card

City taxpayers deserve to know what service levels they receive for their tax dollars. That's why each department should post their performance goals, measures and targets online at the beginning of the fiscal year – and provide a quarterly update on measured results where practical.

At the end of the fiscal year, all performance measures should be reported – comparing targets to actual results. For any target not met, departments should also provide explanation of how the department will improve its performance in the coming fiscal year.

Long-Term Changes

Reform 1.11: Complete Performance Audits on 50% of City Budget Expenditures by FY 2013

Performance Audits examine how well each city department is operating, and suggest ideas for improvement. The City Auditor has provided decision-makers with detailed performance audits of the operations of a variety of city functions – including Risk Management, Qualcomm Stadium, Bid-to-Goal and the Center City Development Corporation. As a result, officials are better informed about inefficiencies and areas where additional controls are needed.

In the FY 2010 Councilmember DeMaio successfully advanced a proposal to expand the capacity of the City Auditor's Office to conduct performance audits of city departments – and to establish a goal of conducting performance audits on at least 50% of city budgeted expenditures in the next three years.

As those performance audits are conducted, the Mayor and City Council should commit to implementing cost-saving ideas as fast as possible.

Reform 1.12: Examine Opportunities for “De-Layering” of Middle Management Positions

Multiple layers of management exist within city departments that should be reviewed. Several city labor unions have raised the issue – providing for potential agreement on cost saving ideas. As agency strategic plans are developed, and as the Office of Human Resources begins work on Succession Planning, an analysis of levels and layers of management should be conducted in each city department with a goal of reducing layers – and redeploying as many city employees to front line service delivery.

Reform 1.13: Implement Improved Fleet Tracking Technologies

The City recently implemented a pilot program using GPS technology on a select number of city vehicles. The pilot project revealed ways to achieve taxpayer savings using improved fuel management, employee productivity, and vehicle utilization. Using this pilot as a starting point, city staff should report back how use of these and other technologies and analysis in all of the city's fleets can improve management and efficiencies.

Reform 1.14: Consolidate Personnel Department with Human Resources Department

The City Charter has established a duplicative Personnel Department under the Civil Service Commission. Since city employees are unionized, consideration should be given to make the Civil Service Commission a purely advisory body with oversight over personnel practices – and permit the Personnel Department to be consolidated into the Office of Human Resources. Implementing these changes would require a Charter Amendment.

A ROADMAP TO Recovery

Reforming San Diego City Government

Reform 1.15 Improve Employee Training Programs

In order to improve efficiency and performance, and to bolster staff morale, the City of San Diego must do much more to train city employees in new management techniques. A new leadership and management academy was recently launched for managers and supervisors in the Utilities Department. This program can be cost-effectively expanded to include managers and supervisors from other city departments.

The following core training programs should be offered as part of a "Performance Management" curriculum:

- Project Management
- Strategic Planning and Performance Measurement
- Change Management
- Team Leadership and Communication
- Customer Service Fundamentals

Many of these topics can be deployed using online training programs. Training should target managers and supervisors first, with line employees provided training based on their demonstrated commitment to improved performance in their current jobs and documented potential for advancement.

Reform 1.16: Adopt Performance-based Budgeting Ordinance

Cities and counties across the country have embraced the concept of "performance budgeting" whereby the budget process begins with the definition of performance results and the executive and legislature work to align available resources with those results. Once a budget is adopted the executive branch is given flexibility to manage resources throughout the year—provided that those results are achieved. Enhanced performance measures would be put in place to help define results and track results throughout the year in a transparent way—to the legislature as well as to the general public.

Once the strategic plans, performance measures and full cost accounting systems are implemented, the City Council should reform the city's budget process to require that the Mayor submit an annual performance plan to the City Council no later than January 15 of each year that includes measurable outcome goals and measures for each city department. A listing of major services by program area in each department—complete with workload/output measures—should also be included.

No later than February 1, the City Council shall adopt a performance plan by resolution and the Mayor shall prepare and submit a budget that reflects the resources required to each the level of performance expected from each city department. As decisions are made on resources throughout the budget process, the Mayor shall advise the City Council on the impact on performance expectations for each city department. All changes in performance measures and targets shall be included in the annual budget ordinance passed by the City Council.

NOTE: Additional reforms related to contracting and competitive sourcing are dealt with in the section of this plan relating to Commitment 6 "Fair and Open Competitive Sourcing."

Reform 1.17: Improved Risk Management and Public Liability Savings

The Risk Management Department is responsible for the investigation and settlement of all claims against the city for losses by the public (accidents on city property, improper towing by police department, flooding from broken water pipes, etc.)

Claims against the City cost taxpayers approximately \$29 million annually. The City Auditor recently identified ways to improve the city's risk management strategies to achieve \$800,000 in annual savings city-wide.

Among the findings of the Audit report released in August 2010:

"During our audit, we found that Risk Management does not analyze systematic risks or follow Enterprise Risk Management system methodologies or other enhancing practices, nor does it maintain documented processes...We also noted that the City does not have a formalized and documented standardized claim reserving approach, which can result in inconsistent reserving practices....Moreover, we found that the review and analysis of the cost and adequacy of insurance coverage and limits is informal and not documented. As a result, the City risks purchasing unnecessary or insufficient insurance coverage and paying excessive effectively and efficiently..."

We believe that the Risk Management Department should aggressively implement the 23 recommendations outlined in the Auditor's report.

Departmental Budget	Line Item	FTE Impact	General Fund Savings
Risk Management & Public Liability Fund	Savings from implementation of Audit recommendations	TBD	\$250,000

Then Vs. Now

City of San Diego, FY 2001 Budget ²

"An important pillar in becoming the 'First Great City of the 21st Century' is the commitment to implement a continuous, systematic process for evaluating the quality and cost of services and products delivered by the City and comparing them with private and public industry leaders."

City of San Diego, 2010:

Performance measures on service levels have been **suspended** by the Mayor's Office.

The city does report out **full cost accounting** for its top 10 service lines.

Managed competition – a vehicle to compare costs between the city and outside providers -- still has **yet** to be implemented.

² City of San Diego, CA, Final Fiscal Year 2001 Budget (San Diego, 2001), p. 311.